

Message Text

UNCLASSIFIED

PAGE 01 FRANKF 06356 241507Z

ACTION LAB-04

INFO OCT-01 EUR-12 ISO-00 SIL-01 EB-08 COME-00 /026 W

-----034171 242306Z /66

R 281440Z AUG 77

FM AMCONSUL FRANKFURT

TO SECSTATE WASHDC 9131

INFO AMEMBASSY BONN

UNCLAS FRANKFURT 6356

E.O. 11652: N/A

TAGS: ELAB, GW

SUBJECT: DEPARTMENT OF LABOR INFORMATION REQUEST ON ADVANCE NOTICE
OF LAYOFFS

REF : (A) BONN 13457, (B) STATE 175050

1. CONFIRMING THE VIEWS OF ECONOMISTS AS NOTED BY BONN IN PARA 9
REFTEL

(A), EMPLOYERS THROUGHOUT THE FRANKFURT CONSULAR DISTRICT HAVE,
SINCE THE 1974 ECONOMIC DOWNTURN, CITED TOTAL LABOR COSTS AND
REIGIDITIES IMPOSED BY GERMAN LABOR LAW AS PRIME DRAGS ON NEW
HIRING. THIS DISINCLINATION TO EXPAND EMPLOYMENT ROLLS
APPLIES TO ALL TYPES OF LABOR, FROM UNSKILLED THROUGH ENGINEERING
AND ADMINISTRATIVE RANKS.

2. SPECIFICALLY, EMPLOYERS EXPRESS A UNIFORM DETERMINATION TO
MINIMIZE NEW LABOR COMMITMENTS IN FACE OF TOTAL LABOR COSTS PER
WORKER WHICH ARE AMONG THE WORLD'S HIGHEST. LEGAL CONSTRAINTS
ON LAYOFFS ARE CITED BY EMPLOYERS AS ONE DIRECT OR INDIRECT
COST ELEMENT ALONG WITH FRINGE BENEFITS AND EMPLOYER CONTRIBUTIONS
TO WORKERS HELTH AND WELFARE PROGRAMS WHICH INCREASE TOTAL
LABOR COST BY 70 PERCENT. PLUS OVER BASIC HOURLY RATES.

3. IN ADDITION TO AN OVERALL DAMPENING ON NEW HIRING, THESE
LABOR COSTS AND RESTRAINTS HAVE EVOKED AT LEAST TWO
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INVESTMENT AND PLANNING RESPONSES: (A) DESPITE A GENERAL
DISINCLINATION TO EXPAND CAPACITY, FIRMS ACTIVELY SEEK
FURTHER TO RATIONALIZE, AUTOMATE, AND UPGRADE AS MEANS OF
AVOIDING ADDITIONAL LABOR COSTS; AND (B) FIRMS OF ALL SIZES
SHOW INCREASING INTEREST IN ESTABLISHING MANUFACTURING
FACILITIES IN OTHER COUNTRIS, PARTICULARLY IN THE UNITED
STATES, WHERE TOTAL LABOR COSTS ARE OFTEN LOWER THAN IN

GERMANY AND FREEDOM OF ACTION IN LABOR MATTERS IS MORE
CONDUCTIVE TO PROFITABLE OPERATIONS.LEHMANN

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